

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
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INRE-00 SS-15 NSC-05 NSCE-00 /054 W
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O 021120Z FEB 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 2524

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E.O. 11652: N/A
TAGS: EAIR, IT
SUBJECT: CIVAIR - ALL-CARGO PROBLEM

REFS: (A) STATE 15787; (B) STATE 10792; (C) STATE 19998;
(D) ROME 873

SUMMARY: ECMIN AND EMBOFF HAVE CONSULTED WITH AMBASSADOR FARACE, OTHER ITALIAN OFFICIALS, AND U.S. AIRLINE LOCAL MANAGERS ON ALL-CARGO PROBLEM. WHILE THESE CONVERSATIONS HELPED CLARIFY ISSUES SLIGHTLY, THEY DID NOT LEAD TO ANY NEW PROPOSALS. EMBASSY IDENTIFIES BELOW OPTIONS AVAILABLE AND PROVIDES RECOMMENDATIONS INCLUDING SUGGESTED AREAS FOR CONSIDERATION THAT MIGHT BE DEVELOPED INTO AN INTERIM COMPROMISE PROPOSAL. END SUMMARY.

1. ECMIN AND EMBOFF CALLED ON AMBASSADOR FARACE AND CONS. DI MUCCIO JANUARY 27 TO OBTAIN ASSESSMENT OF CIVAIR ISSUES IN GENERAL AND ALL-CARGO PROBLEM IN PARTICULAR AND TO LOOK FOR POSSIBLE SOLUTIONS. FARACE REVIEWED DIALOGUE AT RECENT BILATERAL CONSULTATIONS, ENDING WITH COMMENT THAT HE HAD HOPED FOR AGREEMENT ON A "MINI-PACKAGE" THAT WOULD SERVE AS AN INTERIM SOLUTION AT LEAST AND WOULD BOLSTER MFA'S POSITION AS LEADING AGENCY IN CIVIL AIR NEGOTIATIONS. HE SAID HE COULD NOT AGREE
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TO U.S. MINI-PACKAGE PROPOSALS BECAUSE THEY WERE TOO ONE-SIDED, I.E. ITALY WAS ASKED TO GIVE UP TOO MUCH IN RETURN FOR BOSTON-CHICAGO COTERMINAL RIGHTS, WHICH WERE NOT OF GREAT VALUE TO ITALY. HE SAID HE UNDERSTOOD THAT ALITALIA WAS NOW PLANNING TO FLY TO CHICAGO FROM MONTREAL AND REGRETTED THAT OPPORTUNITY FOR AGREEMENT HAD BEEN MISSED. (WE RECALL, HOWEVER, THAT ALITALIA OFFICIALS HAVE ALWAYS KEPT IN MIND MONTREAL-CHICAGO AS

ALTERNATIVE TO BOSTON-CHICAGO, BUT THAT THEY LAID GREAT STRESS ON THEIR NEED FOR BOSTON-CHICAGO TO MAKE NORTH ATLANTIC ROUTES PROFITABLE.)

2. FARACE MADE CLEAR THAT HE HAD NO HESITATION IN ACCEPTING ITALIAN POSITION ON PAA AND TWA WESTBOUND ALL-CARGO FLIGHTS. HE ADDED, HOWEVER, THAT HE WAS SEEKING OPINION OF MFA'S LEGAL COUNSEL. FARACE CHARACTERIZED THESE FLIGHTS AS ILLEGITIMATE MEANS OF ADDING INTERMEDIATE POINTS TO BILATERAL ROUTE SCHEDULE--TO WHICH ECOMIN REPLIED THAT (A) AS FERRY FLIGHTS DO NOT BRING INTO ITALY COMMERCIAL CARGO, THEY DO NOT FALL UNDER BILATERAL ROUTE SCHEDULE AND (B) ART. 2 OF BILATERAL GIVES U.S. RIGHT TO POSITION AIRCRAFT.

3. FARACE THEN SAID ALL-CARGO PROBLEM COULD HAVE BEEN RESOLVED BUT FOR U.S. RIGIDITY ON 747-F ISSUE. FARACE EXPRESSED RESENTMENT THAT PAA OPERATED ITS ALL-CARGO FLIGHT ON SUNDAY, JANUARY 23, THEREBY FORCING CIVILAVIA TO ACT (BY DENYING PERMISSION TO TAKE OFF) ON ITS EARLIER NOTICE OF DISAPPROVAL. FINALLY, HE SUGGESTED THAT BOTH SIDES CONTINUE TO LOOK FOR SOLUTIONS SO THAT NEXT CONSULTATIONS WILL NOT BE STERILE.

4. CONSULTATIONS AND ALL-CARGO PROBLEM WERE ALSO DISCUSSED WITH DGCA COLLINI AND CIVILAVIA INSPECTOR GENERAL LIOI. LATTER IDENTIFIED 747-F AS KEY ISSUE, BUT OFFERED NO PROPOSALS. DGCA TOLD ECOMIN HE FELT ILL-INFORMED ON ALL-CARGO ISSUE (HINTING THAT AIR TRANSPORT SERVICE DIRECTOR GENERAL SITAJOLO MAY BE KEEPING INFORMATION FROM DGCA). IN RESPONSE TO DGCA LIMITED OFFICIAL USE

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DREQUEST, EMBASSY PROVIDING HIM WITH USG VIEWS.

5. GIVEN FOREGOING AND ACCOUNT OF CONSULTATIONS TRANSMITTED REF B, WE NOW SEE FOUR OPTIONS: (A) ACCEPT DE FACTO GOI REFUSAL PERMIT ONE-WAY ALL-CARGO FLIGHTS WITH FERRY POSITIONING, BUT OPERATE AS MANY AS POSSIBLE, OBTAINING CLEARANCES FOR EACH INDIVIDUAL FLIGHT; (B) RE-EXAMINE POSSIBILITIES FOR MINI-PACKAGE AS DISCUSSED AT CULSTATIONS; (C) ARBITRATE AND (D) RETALIATE.

6. EMBASSY RECOMMENDS AGAINST OPTION (A) BECAUSE, WHATEVER THE MERITS OF ITALIAN AND U.S. ARGUMENTS, U.S. WOULD APPEAR TO BE ABANDONING WHAT IT CONSIDERS TO BE ITS RIGHTS UNDER BILATERAL. IN LIGHT OF HISTORY AND RECENT TREND OF ITALO-U.S. CIVIL AIR RELATIONS, EMBASSY CONSIDERS IT QUITE LIKELY THAT GOI, ON BASIS ITS SUCCESS, WOULD CONTINUE CHIPPING AWAY, PERHAPS EVEN MORE RAPIDLY, AT OTHER RIGHTS WE CONSIDER OURS UNDER BILATERAL. NEVERTHELESS, FARACE MADE CLEAR THAT CURRENT PAA AND TWA ALL-CARGO OPERATIONS COULD LARGELY

CONTINUE IF EACH FLIGHT IS CLEARED WITH CIVAIR AUTHORITIES.
EMBASSY ASSUMES PAA COULD FILE WHAT, IN EFFECT, WOULD AMOUNT
TO PROGRAM OF ALL-CARGO CHARTER OPERATIONS WITH 20-DAY ADVANCE
CLEARANCE FOR EACH FLIGHT. THIS WOULD GIVE GOI EFFECTIVE
CAPACITY CONTROL OVER PAA'S ALL-CARGO OPERATIONS. TWA'S
DECISION (STATE 19998) TO SHIFT TO SCHEDULED ROUND-TRIP
ALL-CARGO FLIGHTS WEAKENS U.S. POSITION, BUT DOES NOT, WE
BELIEVE, DETRACT FROM LOGIC OF THIS AND OTHER EMBASSY RECOM-
MENDATIONS.

7. WE ALSO RECOMMEND AGAINST OTHER EXTREME, I.E. OPTION (D)--
RETALIATION--DESPITE ECONOMIC INJURY BEING SUFFERED BY PAA
AND TWA.

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FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 2525

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(A) IN GENERAL, RETALIATION SHOULD BE A LAST RESORT WHEN
ISSUES ARE CLEAR AND COMPROMISE APPEARS IMPOSSIBLE. EMBASSY
IS NOT ENTIRELY CONVINCED THAT JUSTICE IS ALL ON OUR SIDE
NOR THAT COMPROMISE IS IMPOSSIBLE. WHILE EMBASSY RECOGNIZES
THAT FERRY FLIGHTS DO NOT BRING COMMERCIAL CARGO INTO ITALY,
WE SEE SOMEBASIS FOR GOI'S ARGUMENT THAT PAA AND TWA WERE,
IN EFFECT, ADDING NEW INTERMEDIATE POINTS TO ROUTE SCHEDULE.
(IN ITALIAN EYES, SINCE THERE IS RELATIVELY LITTLE EASTBOUND
CARGO TO ITALY, U.S. CARRIERS HAVE STRETCHED AGREEMENT BY
FLYING EASTBOUND SCHEDULED AND NON-SCHEDULED ALL-CARGO FLIGHTS
TO WELL-DEVELOPED MARKETS IN NORTHERN EUROPE AND IRAN WHILE
POSITIONING SOME OF THESE AIRCRAFT IN ITALY FOR SIZEABLE
ITALIAN AIR SHIPMENTS TO U.S.) WE DO NOT HAVE BACKGROUND TO
MEANING OF NOTE (3) ("ALL CARGO SERVICES SHALL TERMINATE IN
ITALY.") OF THE ROUTE SCHEDULE, BUT SUPERFICIALLY AT LEAST
IT DOES APPEAR TO DENY MORE THAN SIMPLE ALL-CARGO BEYOND RIGHTS.

IF LATTER WERE ONLY INTENT, IT WOULD PRESUMABLY HAVE BEEN WRITTEN
ALONG FOLLOWING LINES: "ALL-CARGO BEYOND RIGHTS ARE DENIED."
AS IT STANDS, NOTE (3), TAKEN LITERALLY, SEEMS TO IMPLY THAT
U.S. ALL-CARGO SCHEDULE SERVICES SHOULD ORIGINATE IN U.S.,
TERMINATE IN ITALY AND RETURN TO U.S.

(B) IT IS BY NO MEANS CLEAR THAT U.S. WOULD, ON BALANCE, GAIN
FROM RETALIATION. BASED ON VOLUME OF SERVICE, U.S. CARRIERS
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ARE FAR MORE EXPOSED THAN ALITALIA. IN ALL-CARGO OPERA-
TIONS ALONE, ALITALIA OPERATES 5 FREQUENCIES TO 14 BY U.S.
CARRIERS. THUS, "COUNTER-RETALIATION" BY GOI COULD WELL
MAKE THE "CURE" WORSE THAN THE "DISEASE."

(C) CIRCUMSTANCES OF SEABOARD'S OPERATIONS COULD PROVIDE
SPECIFIC OPPORTUNITY FOR "COUNTER-RETALIATION" BY GOI.
WE UNDERSTAND THAT SEABOARD IS OPERATING EFFECTIVE CHANGE OF
GAUGE AT FRANKFURT DESPITE FINAL WINTER FILING WHICH GAVE
NO SUCH INDICATION AND, IN FACT, STATED THAT FILING "DOES NOT
IMPLY ACCEPTANCE BY THE UNITED STATES GOVERNMENT OR SEABOARD
OF THE OBJECTIONS OF THE GOVERNMENT OF ITALY TO CHANGE OF
GAUGE." EMBASSY HAS NOT ATTEMPTED TO CONFIRM THIS INFO, BUT
STATEMENTS OF ALITALIA OFFICIALS INDICATE THAT SEABOARD IS
OPERATING CHANGE OF GAUGE FOR AT LEAST PART OF ITS SCHEDULE
AND THAT GOI AUTHORITIES ARE AWARE OF IT.

(D) FINALLY, RETALIATION WOULD INEVITABLY MAKE IT MORE
DIFFICULT TO RESERVE THE MANY OUTSTANDING CIVAIR ISSUES
BEYOND ALL-CARGO PROBLEMS AND, MORE GENERALLY, WOULD SOUR
OUR BILATERAL RELATIONS DURING DELICATE PERIOD IN ITALY.

8. AS FOR OPTION (B), WE BELIEVE THAT ALTHOUGH IT PROVED
IMPOSSIBLE TO REACH AGREEMENT ON A MINI-PACKAGE AT THE CON-
SULTATIONS, THERE ARE STILL GROUNDS FOR HOPE. CORRECTLY OR
INCORRECTLY, MFA IS NOW PORTRAYING ITALIAN INTEREST IN BOSTON-
CHICAGO COTERMINAL RIGHTS AS LIMITED. AS SUCH, IT BECOMES
MORE DIFFICULT TO FIND ITALIAN "QUO" FOR OUR "QUID." IN
ANY CASE, USE OF 747-F MAY BE KEY ISSUE, I.E. HOW
STRONGLY DO U.S. AND ITALIAN SIDES FEEL RESPECTIVELY ABOUT
USE OR PROHIBITION OF 747-F. IN THAT CONNECTION, U.S.
MIGHT CONSIDER SEEKING SOME WAY TO ASSIST ALITALIA IN
OBTAINING 747-F OR EQUIVALENT LIFT CAPACITY IN RETURN FOR
GOI APPROVAL OF 747-F USE. AS ONE EXAMPLE, WE NOTE PROPOSAL
BY SEABOARD OF A YEAR AGO (WHICH WENDELL STEVENS OF SEABOARD'S
NY OFFICE RECENTLY TOLD EMBOFF IS STILL OPEN) TO OFFER
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BLOCKED SPACE (WE DO NOT KNOW HOW MUCH) AT COST TO ALITALIA ON U.S.-OWNED 747-F AIRCRAFT WITH ALITALIA'S NAME ON CONTAINERS AND POSSIBLY ON ONE SIDE OF AIRCRAFT. SUCH ASSISTANCE COULD CONCEIVABLY LEAD TO OVERCOMING IMPASSE ON 747-F ISSUE.

9. FINALLY, THERE IS OPTION (C) OF ARBITRATION. DIFFICULTIES WITH ARBITRATION IN PAST, AS WE UNDERSTAND IT, HAVE BEEN LENGTH OF ARBITRATION PROCESS AND GOI'S DENOUNCING BILATERAL AGREEMENT WHEN ARBITER FOUND IN U.S. FAVOR. THESE DIFFICULTIES MIGHT BE PARTIALLY OVERCOME IF ARBITRATION PANEL WERE GIVEN TIME LIMIT TO MAKE FINDING, SUCH AS SIX MONTHS. QUESTION WOULD OBVIOUSLY ARISE AS TO WHAT SITUATION WOULD OBTAIN IN PERIOD BETWEEN AGREEMENT TO ARBITRATE AND ARBITRATION DECISION. ARBITRATION MIGHT ADDRESS 747-F AND CHANGE OF GAUGE ISSUES AS WELL AS UNIDIRECTIONAL FLIGHTS WITH FERRY POSITIONING. WHILE WE SHOULD PRESS FOR CONTINUATION OF EXISTING ALL-CARGO FLIGHTS, FALL-BACK POSITION COULD BE INTERIM SIX-MONTH REGIME UNDER WHICH GOI ALLOWS PAA AND TWA (AND SEABOARD IF CALLED INTO QUESTION) TO CONTINUE THEIR ALL-CARGO FLIGHTS BUT WITH INTERIM CAPACITY CONTROLS (WHICH U.S. OFFERED AS PART OF MINI-PACKAGE AT CONSULTATIONS). GOI MIGHT BE MORE INCLINED TO PERMIT UNIDIRECTIONAL CARGO FLIGHTS (DURING ARBITRATION AT LEAST) IF U.S. ABLE TO FIND SOME WAY TO ASSIST ALITALIA INTO WIDE-BODY CARGO ERA AS DESCRIBED PARA 8.

10. ACTION REQUESTED: WOULD APPRECIATE WASHINGTON VIEWS AND GUIDANCE ON WHETHER EMBASSY SHOULD PURSUE ANY OF THESE LINES WITH GOI AUTHORITIES AND/OR ALITALIA.BEAUDRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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Executive Order: N/A
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Review Exemptions: n/a
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SAS ID: 3429779
Secure: OPEN
Status: NATIVE
Subject: CIVAIR - ALL-CARGO PROBLEM
TAGS: EAIR, IT
To: STATE
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